

## **CODE OF CONDUCT FOR DIRECTORS**

*(Revised and updated as on 10-Mar-2008)*

### **I. Need and objective of the Code**

This exclusive code of conduct for Directors is laid down to comply with the mandatory requirements of Clause 49 of the Listing Agreement as also the directions of the Corporate Governance Committee.

### **II. Bank's belief system**

This Code of Conduct attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected. It recognizes that-the Bank is a trustee and custodian of public money and in order to fulfill its fiduciary obligation and responsibilities, it has to maintain and continue to enjoy the trust and confidence of public at large.

The Bank acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behavior. The Bank shall be committed in all its actions to the interest of the countries in which it operates. The Bank is conscious of the reputation it carries amongst the customers and public at large and shall endeavor to do all it can to sustain and improve upon the same in its discharge of obligations. The Bank shall continue to initiate policies, which are customer centric and which promote financial prudence.

### **III. Philosophy Of The Code**

The code envisages and expects –

- a. adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships.
- b. full, fair, accurate, sensible, timely and meaningful disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies.
- c. compliance with applicable laws, rules and regulations.
- d. to address misuse or misapplication of the Bank's assets and resources.
- e. the highest level of confidentiality and fair dealing within and outside the Bank.

#### **A. General Standards of conduct**

- ❖ The Bank expects all the Directors to exercise good judgment, to ensure the interests, safety and welfare of customers, employees, and other stakeholders and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organization. The Directors while discharging duties of their office must act honestly and

with due diligence. They are expected to act with that amount of utmost care and prudence, which an ordinary person is expected to take in his/her own business. These standards need to be applied while in the premises of the Bank, at offsite location where the business is being conducted whether in India or abroad at Bank sponsored business and social events, or at any other place where they act as representatives of the Bank.

## **B. Conflict of Interest**

- A “conflict of interest” occurs when personal interest of any member of the Board of Directors interferes or appears to interfere in any way with the interests of the Bank. Every member of the Board of Directors has a responsibility to the Bank, its stakeholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, it does demand that they avoid situations where a conflict of interest might occur or appear to occur. They are expected to perform their duties in a way that they do not conflict with the Bank’s interest such as-
- **Engagement in other activities** – The members of the Board are expected to devote their total attention to the business interests of the Bank. They are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Bank or otherwise is in conflict with or prejudicial to the Bank.
- **Business Interest** – If any member of the Board of Directors considers investing in securities issued by the Bank’s customer, supplier or competitor, they should ensure that these investments do not compromise their responsibilities to the Bank. Many factors including the size and nature of the investment, their ability to influence the Bank’s decisions; their access to confidential information of the Bank, or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, they should disclose to the Bank any interest that they have which may conflict with the business of the Bank.
- **Related Parties** – As a general rule, the Directors should avoid conducting Bank’s business with a relative or any other person or any firm, Company, Association in which the relative or other person is associated in any significant role. Relatives shall include;
  - Father
  - Mother (including step-mother)
  - Son (including step-son)
  - Son’s wife
  - Daughter (including step-daughter)
  - Father’s father
  - Father’s mother
  - Mother’s mother
  - Mother’s father

- Son's son
- Son's son's wife
- Son's daughter
- Son's Daughter's husband
- Daughter's husband
- Daughter's son
- Daughter's son's wife
- Daughter's daughter
- Daughter's daughter's husband
- Brother (including step-brother)
- Brother's wife
- Sister (including step-sister)
- Sister's husband

(The above definition is on par with Section 2(41) and Section 6 (read with Schedule 1A) of the Companies Act, 1956)

❖ If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

❖ In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

### **C. Applicable Laws**

The Directors of the Bank must comply with applicable laws, regulations, rules and regulatory orders. They should report any inadvertent non-compliance, if detected subsequently, to the concerned authorities.

### **D. Disclosure Standards**

The Bank shall make full, fair, accurate, timely and meaningful disclosures in the periodic reports required to be filed with Government and Regulatory agencies. The Bank shall initiate all actions deemed necessary for proper dissemination of relevant information to the Board of Directors, Auditors and other Statutory Agencies, as may be required by applicable laws, rules and regulations.

### **E. Use of Bank's Assets and Resources:**

Each member of the Board of Directors has a duty to the Bank to advance its legitimate interests while dealing with the Bank's assets and resources. Members of the Board of Directors are prohibited from:

- Using corporate property, information or position for personal gain;
- Soliciting, demanding, accepting or agreeing to accept anything of value from any person while dealing with the Bank's assets and resources;
- Acting on behalf of the Bank in any transaction in which they or any of their relative(s) have a significant direct or indirect interest.

## **F. Confidentiality and Fair Dealings**

### **1. Bank's Confidential Information**

- The Bank's confidential information is a valuable asset. It includes all trade related information, trade secrets, confidential and privileged information, customer information employee related information, strategies, administration, research in connection with the Bank and commercial, legal, scientific, technical data that are either provided to or made available to each member of the Board of Directors by the Bank either in paper form or electronic media to facilitate their work or that they are able to know or obtain access by virtue of their position with the Bank. All confidential information must be used for Bank's business purposes only.
- This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Bank's policy on maintaining and managing records. This obligation extends to confidential information of third parties, which the Bank has rightfully received under non-disclosure agreement.
- To further the Bank's business, confidential information may have to be disclosed to potential business partners. Such disclosure should be made after considering its potential benefits and risks. Care should be taken to divulge the most sensitive information, only after the said potential business partner has signed a confidentiality agreement with the Bank.
- Any publication or publicly made statement that might be perceived or construed as attributable to the Bank, made outside the scope of any appropriate authority in the Bank, should include a disclaimer that the publication or statement represents the views of the specific author and not the bank.

### **2. Other Confidential Information –**

The Bank has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce the Bank to enter into a business relationship. At other times, the Bank may request that a third party provide confidential information to permit the Bank to evaluate a potential business relationship with that party. Therefore, special care must be taken by the Board of Directors to handle the confidential information of others responsibly. Such Confidential

information should be handled in accordance with the agreements with such third parties.

- The Bank requires that every Director should be fully compliant with the laws, statutes, rules and regulations that have the objective of preventing unlawful gains of any nature whatsoever.
- Directors shall not accept any offer, payment promise to pay, or authorization to pay any money, gift, or anything of value from customers, suppliers, shareholders/ stakeholders, etc that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commission of fraud, or opportunity for the commission of any fraud.

## **G. Good corporate governance practices**

Each member of the Board of Directors of the Bank should adhere to the following so as to ensure compliance with good Corporate Governance practices.

### **(a) Dos**

- Attend Board meetings regularly and participate in the deliberations and discussions effectively.
- Study the Board papers thoroughly and enquire about follow-up reports on definite time schedule.
- Involve actively in the matter of reviewing and approving general policies
- Be familiar with the broad objectives of the Bank and the policies laid down by the Government and the various laws and legislations.
- Ensure confidentiality of the Bank's agenda papers, notes and Minutes.
- To understand the oversight role and fiduciary position "duty of loyalty" and "duty of care" to the bank and its shareholders (Basle II).
- To refrain from decisions when there is conflict of interest that make a director incapable of properly fulfilling his fiduciary duties (Basle II).
- To commit sufficient time and energy towards fulfilling the responsibilities. (Basle II)
- The Board to be of a size that ensures efficiency and real strategic discussion (Basle II).
- Continue to develop and maintain an appropriate level of collective expertise as the bank grows in size and complexity (Basle II).
- To periodically assess the effectiveness of their own governance practices, including nomination and election of board members, determine where weaknesses exist, and make changes as necessary (Basle II).
- To select, monitor and, where necessary, replace the key executives, while ensuring that the bank has an appropriate plan for executive succession, and determining that any intended successor(s) are qualified, fit and proper to manage the affairs of the bank (Basle II).
- To serve as a checks and balances function vis-à-vis the senior management of the bank by exercising their duty and authority to question and insist upon straightforward explanations from management, and

receive on a timely basis sufficient information to judge the performance of management (Basle II)

- To meet regularly with senior management and internal audit to establish and approve policies, establish communication lines and monitor progress towards corporate objectives (Basle II).
- To promote bank safety and soundness, understand the regulatory environment and ensure that bank maintains an effective relationship with supervisors (Basle II).
- To provide sound and objective advice and recommend sound practices gleaned from other situations (Basle II).
- To contribute special expertise in overseeing a bank's activities which might not be available in the rest of the parent or group (Basle II).

**(b) Don'ts**

- Do not interfere in the day to day functioning of the bank
- Do not reveal any information relating to any constituent of the Bank to anyone.
- Do not display the logo / distinctive design of the Bank on the personal visiting cards / letter heads.
- Do not sponsor any proposal relating to loans, investments, buildings or sites for Bank's premises, enlistment or empanelment of contractors, architects, auditors, doctors, lawyers and other professionals etc.
- Do not do anything, which will interfere with and / or be subversive of maintenance of discipline, good conduct and integrity of the staff.

**H. Waivers**

- ❖ Any waiver of any provision of this Code of Conduct for a member of the Bank's Board of Directors must be approved in writing by the Board of Directors of the Bank.

The matters covered in this Code of Conduct are of the utmost importance to the Bank, its stakeholders and its business partners, and are essential to the Bank's ability to conduct its business in accordance with its value system.

I have received and read the Bank's Code of Conduct for the Directors and agree to comply with the same.

Name :

Signature : \_\_\_\_\_

Place and Date :